



EMPLOYER

California Public Employees' Retirement System

NEWS

CalPERS Educational Forum 2004 "Strong by Design"

Risk Pooling is coming!

Risk Pooling is coming!

Mark your calendars for CalPERS Educational Forum 2004 held on October 25–27, 2004, at the Hilton Anaheim. Our theme this year, "Strong by Design", captures the strength of our collaborative efforts to meet continually the needs of our members.

CalPERS educational forum 2004

The Forum registration materials will be mailed to all public agencies, schools and state agencies by the first of August. To receive the information directly, please e-mail your mailing address to calpers_conference@calpers.ca.gov. We now offer online registration for the first time! The registration period runs from August 1 through October 4, 2004.

A special focus of this year's Forum is "Building on the Cargill Decision" and Risk Pooling.

- Find out if your agency is in compliance with CalPERS membership rules as they apply to common law employees.

CalPERS experts will walk you through specific examples!

- Risk Pooling finally arrives at CalPERS! If your agency has a rate plan with less than 100 active members, or if you are a school employer interested in getting out of the school pool, you won't want to miss our workshops on Risk Pooling.

The Forum highlights the following three workshop tracks: 1) Daily Administration; 2) Future Direction; and 3) Helping Your Employees. Some of the workshops offered include basic and intermediate actuarial concepts, a health benefit panel discussion, in depth education following the Cargill decision, risk pooling, and a session that will inform public employers of new social security requirements.

Our agenda includes the Board of Administration Welcome Reception as well as an opportunity to relax and enjoy what Anaheim offers with an evening on your own. The concluding general session includes the

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CalPERS Welcomes New Deputy Executive Officer



Gloria Moore Andrews

Gloria Moore Andrews, a veteran public administrator, joined CalPERS in January as the new Deputy Executive Officer (DEO) over system operations. She replaced Vince Brown, who left the pension fund in November 2003.

Her duties include providing executive leadership and oversight over the System's support functions, including human resources management, fiscal planning and budgeting functions, change management, public affairs and facilities management and development, including the headquarters' expansion project currently under construction. Ms. Andrews comes to CalPERS from the State Department of Personnel Administration (DPA), where she served as Chief Deputy.

At DPA, she was responsible for the overall administration of the department, served as top advisor to the department director on collective bargaining, provided executive oversight for all statewide employee benefit programs, and oversaw statewide benefits programs. A career State employee, she worked in various State departments since 1974. Ms. Andrews began a labor relations specialty after the Employer-Employee Relations Act was signed by then Governor Jerry Brown in 1977. Prior to positions at DPA, she served 11 years as a labor relations officer in a number of State departments and 4 years at the State Department of Transportation managing the labor relations, training, and safety division and later the staff development office.

Ms. Andrews is also a graduate of California State University, Sacramento.

EMPLOYER NEWS

CalPERS Employer News is published quarterly by the Actuarial and Employer Services Division of the California Public Employees' Retirement System. The purpose of this publication is to keep employers informed about CalPERS.

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Educational Forum— Continued from page 1

Question and Answer Panel with the CalPERS Executive Staff.

The CalPERS Educational Forum acts as your "one-stop shopping" for all CalPERS offices. Representatives from virtually all areas of CalPERS will be available to answer your questions and present you with the latest information on our programs. We again

offer one-on-one appointments with your CalPERS actuary and give you the opportunity to meet and ask questions of our Board of Administration. You may make an actuary appointment at the Forum, or in advance by calling **(888) CalPERS (225-7377)**.

Join us in Anaheim. Let us continue to build a strong foundation for our future!

Risk Pooling

The winter edition (January 2004) of the *Employer News* featured an article about the implementation of risk pools at CalPERS. The article provided a summary of the new risk pooling regulations and some details on the timing of the implementation of pooling.

CalPERS sent a circular letter to employers on February 27, 2004, in follow-up to the article that contained additional information on the implementation of risk pools and estimates of the costs associated with them.

A copy of the circular letter, the risk pooling regulations, and additional information on risk pools are available on the CalPERS Web site at www.calpers.ca.gov.

CalPERS continues to work on the pooled actuarial valuations that will set the first pooled employer contribution rates effective on July 1, 2005. This article acts as a reminder of how the mandated participation will be established, the timing involved with voluntarily joining a pool, and to provide you with information on the impact, if any, of risk pools on your rates.

Mandatory Participation in Risk Pools

Risk pooling regulations require participation in a risk pool for all rate plans with less than 100 active members. CalPERS actuarial staff determine mandated participation based on the active membership of each rate plan as of June 30, 2003. Staff are currently working on the June 30, 2003, actuarial valuations. The expected completion date of the valuations remains October 2004.

As established in the regulations, plans will be assigned to risk pools based on their service retirement formula. Benefit provisions as of June 30, 2004, (or thereafter) determine which pool a plan must enter.

The June 30, 2003, valuations will be the first pooled valuations and the first pooled contribution rate is effective on July 1, 2005. Demographic experience on or after July 1, 2003, will be considered part of the risk pools' experience. Mandated benefits become effective on the same date as the effective date of the first pooled contribution rates, July 1, 2005, for employers participating in risk pools.

Preparation continues on the list of plans participating in each of the pools and will be included as part of the June 30, 2003, actuarial valuation report of each pool.

CalPERS expects the reports to be mailed in October 2004.

Voluntary Participation in Risk Pools

School districts and public agencies with non-mandated rate plans begin the process to join the newly created risk pools by contacting CalPERS beginning in November 2004 following the completion of the June 30, 2003, valuations. Procedural instructions will be forthcoming via circular letter.

Impact of Risk Pools on Employer Rates

The implementation process will minimize the impact on your contribution rates through the amortization of a side fund and a phase out of the differences between the pool's normal cost

and the individual employer plan's normal cost over a period of five years. The side fund will be established for each plan as it enters a pool and takes into account the level of assets and liabilities of the plan at the time of joining a risk pool. Employer contribution rates remain almost identical to what the rates would have been outside pools for the first year.

The estimated yearly impact over the next 5 years of the 5-year phase-out of the difference in normal cost follows:

Annual Change in Rate	% of Plans
<i>More than +1%</i>	<i>0%</i>
<i>+0.5% to +1%</i>	<i>7%</i>
<i>-0.5% to +0.5%</i>	<i>81%</i>
<i>-1% to -0.5%</i>	<i>10%</i>
<i>More than -1%</i>	<i>2%</i>

Government Code Section 20840(e) requires that each pool must contain certain benefits (see list below). CalPERS actuaries estimate the impact of mandating these benefits will be less than 1 percent of payroll. These mandated benefits become effective on July 1, 2005.

The following benefits (previously optional contract provisions) will now be mandated for plans participating in risk pools:

- The pre-retirement optional settlement 2 death benefit (i.e., a death benefit payable to the spouse of an active

Risk Pooling— Continued from page 3

member eligible to retire equal to what the spouse would have received if the member retired, elected the 100 percent joint and survivor form of benefit and then died)

- The conversion of unused sick leave to retirement service credit
- The ability for members to convert at their own expense prior military service and prior public service to CalPERS retirement service
- The cancellation of any remaining payments owed by the member for the

purchase of optional service credit upon the employment related disability of the member (i.e., upon industrial disability retirement or IDR as it is called). This benefit will only apply to local miscellaneous members if they are subject to Government Code Section 21151 (industrial disability retirement for local miscellaneous members).

- The inclusion of local system service credit in the calculation of the basic death benefit

The actuarial valuation reports currently being prepared by CalPERS actuarial staff contains detailed information on the amortization of the side fund, the phase

out of the differences between the pool's normal cost and the individual employer plan's normal cost, and information on the impact of the mandated benefits.

Risk pooling consists of pooling assets and liabilities across employers, which implies that all the assets of a pool regardless of source will be used to pay the benefits of all members participating in the pool.

If you have any questions regarding the implementation of risk pools, please contact the Employer Contact Center (ERCC) at **(888) CalPERS (225-7377)** or visit the CalPERS Web site at: www.calpers.ca.gov.

Helpful Hints to Avoid Payroll Reporting Errors

How can you ensure that your CalPERS payroll data is accurate and accepted by CalPERS?

Knowing some of the common mistakes CalPERS staff find with employer payroll reports is a start. The suggested methods listed below prevent these common errors from occurring. Avoiding the errors before they ever get to CalPERS will result in member data posted accurately and, more importantly, timely. This ensures members receive benefit payments, refunds, and retirement and service credit estimates in an accurate and timely manner.

Suggested methods for reducing payroll reporting errors:

Do not submit a payroll entry for an employee who has not yet been enrolled into CalPERS membership by your personnel office. You will receive discrepancy notices from CalPERS Payroll Audit staff and this prevents CalPERS from recognizing your employee as a member of CalPERS, even though wage and contributions have been reported. No CalPERS services can be received by this employee until they are enrolled into membership.

Never report earnings that exceed the full-time hours for your reporting period. Remember to exclude overtime and other non-reportable earnings when reporting CalPERS payroll transactions.

Always use the correct pay codes to identify the type of pay rate that is reported to CalPERS. The most common types of pay rates consist of monthly and hourly. A pay code 01 identifies a monthly, salaried pay rate (e.g., \$3,000, \$5,000, etc.); a pay code 04 identifies an hourly pay rate (e.g., \$18.00, \$23.50, etc.).

Do not include special compensation amounts in the pay rate reported to CalPERS for your employees. The pay rate should be the normal rate of pay for services rendered during normal working hours and should correspond directly with your salary schedules for each position. Any special compensation earned (e.g., incentive pay, education pay, premium pay, etc.), which is not included in the pay rates identified on your salary schedule, should be reported as a separate, special compensation transaction to CalPERS.



UNIT SPOTLIGHT — Employer Education Unit

The Employer Education Unit (EEU) offers educational services about CalPERS policies, procedures and processes. Staff conduct educational sessions both one-on-one and in group settings.

The EEU maintains the *CalPERS Procedures Manual* for public agencies and schools and the *CalPERS State Handbook*. The *State Handbook* is accessible online at www.calpers.ca.gov and the *Procedures Manual* becomes available online in 2005.

The EEU also produces the Annual Employer Statements provided to public agency employers in July or August of each year. This statement includes a synopsis of the public agency coverage including benefit provisions and the current employer contribution rates.

Meet the EEU staff:

Mike Hardin is the manager of the EEU and a CalPERS employee for over 20 years. His past positions include: Librarian for the CalPERS Library, Retirement Program Specialist in the Health Benefits Division, and the Sacramento Regional Office. He was manager of the CalPERS Fresno Regional Office and has been a manager in Actuarial and Employer Services Division (AESD) for eight years. Mike is a fan of the Sacramento Kings, Oakland A's, and the University of Southern California Trojans. He has also been known to participate in eBay auctions.

Karl Klun has been an Employer Representative in the EEU for the last five years. He began working at CalPERS in the Member Services



Employer Education Unit:

Left to right Karl Klun, Koren Lamar, Cheryl Salvador, Mike Hardin, Laurie Ball
Not pictured: Annette Unruh

Division and later worked on the Corporate Database project, known as COMET, prior to joining AESD. Outside of work Karl enjoys hiking, working out in the gym, playing his guitar and creating his own home-brewed beer.

Koren Lamar has been employed as an Employer Representative of the EEU for two years. In addition to providing education to the employers, Koren serves as the editor of the *CalPERS Procedures Manual*. She is coordinating the effort to place the manual online in 2005. When she is not on the road conducting employer education workshops, Koren works out in the gym and participates in hip-hop dance classes.

Laurie Ball has worked for CalPERS for eight years. She started her career in the Benefits Division as a Benefit Program Specialist calculating retirement benefits and adjustments. Since that time she has increased her knowledge and expertise while working in both the Sacramento Regional Office and Member Services Division. In October of

2001 Laurie joined AESD as an Education Representative for the Public Agency and School employers. Laurie enjoys travel, especially to Kauai, Hawaii. She identifies herself as a Kauai freak.

Cheryl Salvador has worked for CalPERS for 23 years. She started her career in the Benefits Division calculating retirement benefits and adjustments. She also spent seven years working in the Disability Unit of the Benefits Division. In August 1997, she moved to AESD in the Public Agency Contracts Unit processing contract amendment requests from public agencies. August 2000, she joined the EEU as an Employer Representative. She was responsible for coordinating the creation of the new CalPERS State Handbook. She continues as the editor of the State Handbook and conducts the State Workshops which were initiated July 2002. When not traveling throughout California, Cheryl bakes holiday

Automated Communication Exchange System (ACES) Information Security

Attention Account Administrators! It's that time again. We urge all Agency Account Administrators to verify their Agency's User List for accuracy in *User Account Maintenance*.

- **When an ACES User leaves your organization or no longer uses ACES:**

Step 1 Immediately **disable** their ACES access. It's easy! Log onto ACES and click *User Account Maintenance*. Then, click on *Account Status*, select *Disable*, then click *Apply*.

Step 2 You must also fax the PERS-AESD-42 *Delete "ACES User Access" Form* to CalPERS, and their user name and password will be permanently deleted.

- **When an ACES User is on an extended leave of absence:**

Step 1 Immediately **disable** their ACES access (see Step 1 above).

Step 2 Upon their return, the Account Administrator must call the Employer Contact Center at **(888) CalPERS (225-7377)** to enable the account.

- Please remember that CalPERS Security Policy requires that each person have their own ACES User Account. ACES Users are not allowed to share User Names and Passwords.
- Each Agency must have at least one Account Administrator.

Thank you for your continued support while CalPERS maintains a high level of Information Security.

Please Note: ACES remains the most secure and efficient method to send health, membership and payroll transactions to CalPERS. Visit the ACES Web site for more information: www.calpers.ca.gov. If you are an ACES user and have not received ACES e-mail notifications in the last three months, please have your ACES Account Administrator verify your e-mail address in the *User Account Maintenance folder*. ACES e-mail notifications include important information about ACES enhancements, scheduled maintenance and other ACES-related issues.

NOTICE: CalPERS Procedure Manual On-Line Conversion

CalPERS plans to convert the *Procedure Manual* into an online resource by 2005. The opportunity to have updates released immediately is a key benefit. Also, with an online resource, information can be updated to reflect legislative or procedural changes as they occur throughout the year. With instant updates you are assured quick and easy access to the most current information.

Please be aware production of the hard copy version of the Manual may be discontinued in an effort to save on publication and postage costs.



CalPERS OASDI & Member Contributions

What is OASDI?

OASDI is Old Age Survivor & Disability Insurance, more commonly known as Social Security.

How does OASDI impact CalPERS member contributions?

Member contributions are required for all CalPERS members based on a percentage specified by CalPERS law and the earnings each pay period. Members subject to retirement benefits based on a modified formula are covered by Social Security and, as a result, their member contributions will be lower because their earnings are modified.

CalPERS members pay a lower contribution amount to CalPERS each pay period based on an earnings modification when they pay into Social Security. This applies to all members in categories listed as "With Social Security Modified Formula". Members pay contributions based on their full earnings without the modification factor applied when listed in categories of "Without Social Security Full Formula" or "With Social Security Supplemental Formula".

What is the modification?

For employees of public agencies, the monthly modification amount comes out to \$133.33 for all earnings in a monthly pay period greater than or equal to \$400.00. This modification is subtracted from an employee's earnings prior to applying the member contribution rate. School employees' earnings receive no

modification due to chaptered legislation, AB 2177, which went into effect January 1, 2001 [see Government Code 21354.1 (b)]. Please note: State employees' earnings are modified, however, the modification amounts are established by collective bargaining and vary from group to group.

In addition to a monthly pay period, an employee may be paid on a semi-monthly, biweekly, or quadri-weekly payroll frequency. *(See table below.)*

I process payroll for my agency.

How often do I need to apply the OASDI modification?

The modification should only be applied *once* per pay period. If an employee works in two or more positions at your agency, apply the

modification factor once to the total earnings in the pay period.

Where can I find more information about the OASDI modification?

Additional information and Basic Contribution Calculation examples reside in the *CalPERS Procedures Manual*— Payroll Reporting Procedures Section, and online at www.calpers.ca.gov. For specific information regarding your agency, please review your Annual Employer Statement to determine if the OASDI modification applies to your employees.

If you have questions related to the OASDI modification or need to request a copy of your Annual Employer Statement or the *CalPERS Procedures Manual*, call the Employer Contact Center toll free at **(888) CalPERS (225-7377)**.

OASDI modification

Payroll Frequency	Modification Amount	Earnings Greater Than or Equal To:
Monthly	\$133.33	\$400.00*
Semi-Monthly:	\$66.67	\$200.00*
Bi-Weekly:	\$61.00	\$184.00*
Quadri-Weekly:	\$123.00	\$369.00*

**If the employee's actual earnings are less than the earnings minimum listed above, the modification is 2/3 (or 0.66667) of the actual earnings before applying the member contribution rate.*

CalPERS Successful with the Imaging of EMPLOYER RECORDS

CalPERS took a giant step in line with a continuous effort to enhance customer service by imaging approximately 51 million member-related documents back in January 2003. Following that effort, CalPERS successfully completed the digital imaging of approximately 2.5 million employer-related historical documents and imported them into the existing Document Management System (DMS).

The process of imaging and retrieving employer documents differs slightly from the imaging and retrieving of member documents; however, both processes lead to equally positive results. Immediate access to imaged employer and member documents improves customer service and streamlines the way we conduct business with you.



Customer Service Improvements

The addition of employer documents into the DMS provides CalPERS with significant improvements to the previous paper-based process. The new imaging process:

- Reduces the amount of time required to locate and review employer-related documents from an estimated 10 minutes to less than 1 minute
- Allows multiple users to concurrently access the same employer file, providing more effective service to CalPERS employers, while at the same time ensuring that sensitive documents are available only to authorized personnel
- Improves disaster recovery capabilities for employer records
- Reduces the long-term storage requirements for paper-based employer records.

Annual Employer Statement

It's that time of year again when CalPERS mails the 2004 Annual Employer Statements (AES) to contracting public agencies and County Offices of Education. The AES summarizes your CalPERS contracted benefits; it also serves as a reminder of your rate for 2004–05.

As an easy reference tool, we recommend the AES be placed inside the *CalPERS Procedures Manual* (in the Contracts Section). CalPERS encourages you to provide copies of the AES to the appropriate Human Resources, Benefits, and Payroll office(s).

NOTE: The Annual Actuarial Valuation is the official employer rate notification. It is mailed each year in October providing you with detailed information regarding employer rates for the upcoming fiscal year. In addition, if there is a conflict between the Public Employees' Retirement Law (PERL) and the AES, the PERL supersedes the AES.

The imaging of employer documents is just one more of the many steps CalPERS has taken to improve organizational effectiveness and, above all, provide quality customer service.

Events of Interest — July through September 2004

Date		Event	Location
July	5	No regularly scheduled meetings to be held in July. Holiday — Independence Day Observed, State Offices Closed	
August	13	Performance & Compensation Committee	CalPERS, Auditorium, Sacramento
	16	Investment Committee	CalPERS, Auditorium, Sacramento
	17	Benefits and Program Administration Committee Health Benefits Committee	CalPERS, Auditorium, Sacramento
	18	Board of Administration	CalPERS, Auditorium, Sacramento
	25	School Employer Advisory Committee	CalPERS, Rooms 1170/1180
September	6	Holiday – Labor Day, State Offices Closed	
	10	Performance & Compensation Committee Finance Committee	CalPERS, Auditorium, Sacramento
	13	Investment Committee	CalPERS, Auditorium, Sacramento
	14	Benefits and Program Administration Committee Health Benefits Committee	CalPERS, Auditorium, Sacramento
	15	Board of Administration	CalPERS, Auditorium, Sacramento
<p><i>Note: Meeting times are announced, when they become available, through Circular Letters and on our Web site. Meetings are subject to change.</i></p> <p><i>CalPERS: 400 P Street, Sacramento</i></p>			

CalPERS On-Line Is Better Than Ever

The CalPERS On-Line Web site has been completely renovated offering new and improved on-line resources specifically tailored to your needs and interests.

The first thing you will notice about our redesigned Web site is that it's much easier to navigate, which means you can find the information you need faster.

Now, each CalPERS employer and member group gets only information that is relevant to them. By answering a few on-screen questions, you create an "Employer" or "Member" view.

For example, if you select *public agency* for your Employer View, you will only see information related to public agency employers. You can also establish a Member view such as *nearing retirement-public*

agency. This feature can be handy when you're assisting employees with their questions about CalPERS benefits and programs.

You can save the "views" you've selected for future visits, and you can change them anytime using the "Edit Your Selection" feature in the upper left side of your screen.

Our CalPERS On-Line employers area has information on all our programs and services, including a new section — "Tips for Helping Your Employees." Check out our site map for an overview of the on-line information available. To get there, use the link on the green utility bar near the top of every page. You should also "Take an On-line Tour" to find out how to make the most of your visit.

There are no changes if you use ACES (Automated Communications Exchange

System) to submit CalPERS information or look up employee benefit information. If you have ACES bookmarked, just use the service as you normally do.

If not, you can find ACES in our "For Employers" area. Go to the "ACES & Other Online Employer Services" link, then the "Log in to ACES" link. Once you find the main ACES page, you can bookmark or save the page as a favorite for easy future use.

The new and improved CalPERS On-Line has the same address — ***www.calpers.ca.gov***.

And, as usual, if you have any questions or need assistance finding online information, please call the CalPERS Employer Contact Center toll free at **(888) CalPERS (225-7377)**.



Emergency Retirement Counseling

If one of your employees has a short life expectancy due to a terminal illness or a serious injury, it is important that you contact us immediately for guidance.

CalPERS is here to help during this critical time by providing customized counseling to members and assisting you to ensure that the most beneficial death benefit can be paid based on the employee's particular employment and family situation. For example, if the member is married, we may advise you to complete a disability retirement application, found in the PUB-35, on the member's behalf and fax it to us at (916) 658-1281. By faxing the disability retirement application prior to the member's death and listing the spouse in the "survivor continuance" section the surviving spouse may be entitled to a post retirement death benefit allowance even if the employee dies before receiving his or her first retirement warrant. However, in *every* situation it is best to call us for specific instructions. When you call, it is helpful if you can provide



the following information about the employee:

- Is the employee married?
- Does the employee have minor children?
- Is there someone other than a spouse or children that the member may wish to name as a beneficiary for a monthly death benefit?

- Is the employee conscious and able to communicate?

Please call us toll free at **(888) CalPERS (225-7377)**.

Unit Spotlight—

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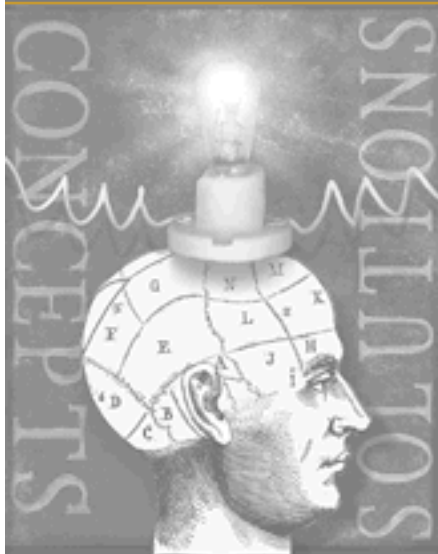
cookies, designs greeting cards, is an avid stamper, and engages in other creative crafts.

Annette Unruh has worked at CalPERS for over five years. She started her CalPERS career

in the Change Management Office. She has been in the EEU for two years where she has been involved in unit planning, surveying employers, and developing employer tools. She is pursuing a Master's degree in a business related field at California State

University Sacramento. Outside interests include community service for disadvantaged youth, reading, traveling, and hanging out with friends at Starbucks.

The EEU is at your service!



**SAVE
THESE
DATES!**

October 25–27, 2004

***Look for registration
materials mailed
August 2004!***

***www.calpers.ca.gov
(916) 658-1264***

**Hilton Anaheim
777 Convention Way
Anaheim, CA 92802
(800) 222-9923**

CalPERS also accepts credit cards (Master Card, Visa and Discover) for payment of Educational Forum fees.

You may visit the CalPERS Web site for the latest employer training information. Registration packages will be available soon. If you have not attended this event before and would like to be placed on our direct mailing list, please call the Information Hotline at (916) 658-1264 or send an email to ***calpers_conference@calpers.ca.gov***.



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